

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: SULLY TELEPHONE ASSOCIATION, INC., AND REASNOR TELEPHONE COMPANY, LLC	DOCKET NOS. SPU-04-21 TF-04-255 WRU-04-37-3775
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**ORDER APPROVING JOINT APPLICATION FOR DISCONTINUANCE OF
SERVICE, AMENDING CERTIFICATE, GRANTING PARTIAL TRANSFER OF
CERTIFICATE, APPROVING TARIFF, AND GRANTING WAIVER**

(Issued September 2, 2004)

On August 3, 2004, Sully Telephone Association, Inc. (Sully Telephone), and Reasnor Telephone Company, LLC (Reasnor Telephone), filed with the Utilities Board (Board) a joint application for approval of discontinuance of service and a partial transfer of certificate of public convenience and necessity pursuant to Iowa Code §§ 476.20 and 476.29 (2003) and a request for waiver of 199 IAC 22.23(2) regarding individual customer verification for unauthorized changes in telecommunications services. The filing was identified as Docket No. SPU-04-21.

Sully Telephone is a non-rate-regulated independent telephone company that provides local exchange service to the Sully and Reasnor exchanges. Currently, the Sully exchange has approximately 2,300 access lines and the Reasnor exchange has approximately 275 access lines. Reasnor Telephone is a newly-formed Nebraska limited liability company that is authorized to transact business in Iowa.

Reasnor Telephone has not previously been certified to provide telecommunications in any state.

The filing indicates that the applicants have entered into an asset purchase agreement whereby Reasnor Telephone will acquire the assets of Sully Telephone necessary to provide local exchange service in the Reasnor, Iowa, exchange. Reasnor Telephone intends to provide service to all eligible customers in the Reasnor exchange. Sully Telephone will continue to provide service to its subscribers in the Sully exchange. The transaction will result in the discontinuance of service in the Reasnor, Iowa, exchange by Sully Telephone, with service continuing without interruption, provided by Reasnor Telephone.

The joint application requests that the Board transfer that portion of the certificate of public convenience and necessity presently issued to Sully Telephone for service in the Reasnor exchange to Reasnor Telephone. Sully Telephone also seeks the Board's approval for the discontinuance of local exchange and exchange access service in the Reasnor exchange.

Reasnor Telephone asserts that it is well-qualified managerially, technically, and financially to provide the services for which it is requesting certification. Reasnor Telephone states that its owner and president has more than 30 years of experience in the local exchange industry and that it has sufficient access to capital to fund the purchase, development, and maintenance of the exchange it intends to purchase.

In support of this request, Reasnor Telephone states that it will abide by all applicable statutes, orders, rules, and regulations of the Board for local exchange

carriers. It will adopt Sully Telephone's existing dialing parity plan and will allow customers to continue to obtain interLATA and intraLATA interexchange services from other carriers. Local operator services and directory assistance services from other providers will be offered on a non-discriminatory basis.

The applicants claim the public interest will be served by this transaction. Reasnor Telephone states that it will initially adopt the local service rates of Sully Telephone, will be active in the community, and expects to generate opportunities for new employment. Reasnor Telephone states that it will seek to improve available facilities and services, such as extension of high bandwidth services, fiber ring build out, and deployment of broadband services. The applicants state that the transaction will create economic gains for Sully Telephone, enabling it to upgrade its telecommunications equipment, thereby providing its customers with more robust and reliable service.

Iowa Code § 476.29(2) (2003) provides that a local exchange carrier shall not be denied a certificate if the Board finds that the applicant possesses the technical, financial, and managerial ability to provide the service it proposes to render and the Board finds the service is consistent with the public interest. The Board has reviewed the information contained in the joint application and concludes that Reasnor Telephone meets the requirements of the statute. The Board will grant the request for the transfer of the certificate.

The Board's rules under 199 IAC 22.23 require telecommunications service providers to obtain customer authorization prior to enacting a change in service. The

applicants have requested a waiver of 199 IAC 22.23(2) in what has been identified as Docket No. WRU-04-37-3775. The applicants state that they intend to notify Sully Telephone customers in the Reasnor exchange of the proposed acquisition and change in carrier. They attached a copy of the proposed form of notice to the filing. The notice would be provided to customers through a billing insert or direct mailing as soon as practicable.

Pursuant to 199 IAC 1.3, the Board may waive a rule if it finds that application of the rule would pose an undue hardship; that waiver will not prejudice the substantial legal rights of any person; that the provisions of the rule are not mandated by statute; and that substantially equal protection of public health, safety, and welfare will be afforded by other means. Here, application of rule 22.23 would pose an undue hardship on Sully Telephone and Reasnor Telephone by requiring that they obtain a substantial number of individual authorizations; waiver will not prejudice the substantial legal rights of any person, since the affected customers will receive the same service at the same rates; the provisions of the rule are not mandated by any other rule of law; and substantially equal protection of the public health, safety, and welfare will be provided by the notice that Sully Telephone and Reasnor Telephone will send to the affected customers. The Board will grant the waiver.

In connection with the transfer, the joint applicants state they will require a waiver from the Federal Communications Commission (FCC) of the FCC's study area requirements. It has been the FCC's policy not to accept a waiver petition unless the state regulatory agency indicates that it does not object to changes in the study area

boundaries. In previous transfers of this type, the Board has affirmatively stated that it does not object to the FCC granting a study area waiver. The Board finds it is appropriate to make the same statement in this docket.

Finally, Sully Telephone will be required to file a new tariff and service area boundary map reflecting the transfer of the Reasnor exchange within 30 days of this order.

IT IS THEREFORE ORDERED:

1. The joint application for approval of discontinuance of service and partial transfer of certificate of public convenience and necessity with regard to the Reasnor, Iowa, exchange filed by Sully Telephone Association, Inc., and Reasnor Telephone Company, LLC, on August 3, 2004, is approved to be effective upon issuance of this order.
2. An order amending Certificate No. 125 issued to Sully Telephone Association, Inc., to reflect the removal of the Reasnor exchange is being issued concurrently with this order and will become effective upon the amendment of Sully Telephone Association, Inc.'s tariff.
3. Sully Telephone Association, Inc., is directed to file new tariff pages and exchange boundary maps showing the removal of the Reasnor, Iowa, exchange within 30 days of this order.
4. A certificate, identified as Certificate No. 0284, is being issued to Reasnor Telephone Company concurrently with this order.

5. The tariff filed by Reasnor Telephone Company, LLC, filed on August 3, 2004, and amended on August 25, 2004, which has been identified as TF-04-255, is approved upon the effective date of the transaction.

6. The joint request by Sully Telephone Association, Inc., and Reasnor Telephone Company, LLC, for a waiver of 199 IAC 22.23(2) requiring verification of unauthorized changes in telecommunications service, is granted subject to the requirement that Sully Telephone Association, Inc., and Reasnor Telephone Company, LLC, notify customers in the Reasnor exchange of the change in service.

7. The Board affirmatively states that it does not object to the request that a study area waiver be granted by the FCC.

UTILITIES BOARD

/s/ Diane Munns

/s/ Mark O. Lambert

ATTEST:

/s/ Judi K. Cooper
Executive Secretary

/s/ Elliott Smith

Dated at Des Moines, Iowa, this 2nd day of September, 2004.